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STATISTICAL BULLETIN

Volume 17, No. 2, February, 1984

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The Conference Board

COMMENT

The $200 billion deficit in the Federal Government's budget for fiscal 1985 (see the *Perspective on the Federal Budget* table) is not the only red ink roiling financial markets. The foreign trade deficit ballooned to $69 billion in 1983 and is sure to set a new record in 1984. All this red ink is interrelated with high interest rates and the high value of the dollar in international exchange markets. Despite repeated assertions by some economists that budget deficits and hikes in interest rates are not directly related, the financial markets have been registering concern for some time that Treasury borrowing may crowd out private credit demand. The competition for funds keeps pressure on interest rates, making any prospect for significant rate relief remote. Further, high domestic interest rates, strong consumer-led, domestic economic expansion, and slow growth prospects in some of our major trading partners (see the *Leading Business Indexes* chart), act as a magnet for foreign capital and keep the dollar at a premium (see the *Foreign Exchange Rates* chart). The capital inflow has provided some funds to the financial market. This inflow, together with relatively subdued private credit demand, has helped to limit any crowding out. The capital inflow, however, cuts into a normally large surplus in the capital account of foreign trade. That surplus has, in the past, covered a chronic deficit in the trade of goods and services. Now, a growing domestic economy is being served by a vigorous pickup in imports, and the high value of the dollar lends a pricing edge to those imports. Slow growth prospects elsewhere limit exporting potential and the dollar's appreciation lends a pricing disadvantage.

The concern reflected in financial market activity is that large deficits, budget and trade, and high interest rates with high dollar appreciation will curtail economic expansion. We have said in this space that 1984 is generally expected to be the year when a consumer-led recovery matures into an investment-sustained expansion. A recovery in business investment entails an increase in private business demand for loanable funds. If the Federal Reserve keeps a relatively tight grip on the money tap, credit market conditions are more likely to nurture hikes in interest rates than to allow any relief. A more ominous fear is that if this expansion does develop symptoms of premature distress, especially in the course of a presidential election, calls to ease the grip on the money tap will not go unheeded. The monetarist concern, which enjoys wide acceptance, is that faster money growth will let the inflation genie out of the bottle. The Federal Reserve has announced that the basic money supply, M1 (demand deposits plus currency), is targeted for growth of between 4 and 8% from November, 1983 to November, 1984. That range is a full percentage lower than the original targets for 1983. The monetary authorities, then, are signaling to financial markets that the hard-won victory over inflation will not be sacrificed for the sake of prolonging the expansion.

High interest rates and highly appreciated dollars can live together quite happily—but not when accompanied by high budget and trade deficits. Something must give and the most likely candidate to drop from the heights is the dollar. Its effective *Exchange Rate* against other major currencies was 119.1 (1980-1982 = 100) in January—that is, almost 20% above the baseline value. A year earlier, the figure was closer to 10 percent. There are some signs, however, that the dollar is no longer rising against some currencies, and it may be on the decline against a few—particularly the yen. If the dollar has indeed begun to descend from the heights, it is a mixed blessing. On the plus side, exporting efforts, severely constrained by the dollar's strength, may be a little more successful, which would be of some benefit with regard to the trade deficit. On the other side of the coin, as the dollar depreciates, the price of imports rises and puts pressure on prices of import-competitive goods. Further, if the dollar begins to slide, the capital inflow will slow, perhaps even reverse. Since the capital inflow has afforded some breathing room in capital markets, a capital outflow will increase market discomfort.

Other changes in the economic landscape are also likely to occur in the very near term. Politicians of all stripes would rather get past elections before tackling hard, unpopular questions about reducing deficits. Nevertheless, market unease may evoke a response sooner than politicians would prefer. There is a good chance that tax rates will go up in 1984. Higher corporate and personal tax rates will take some steam out of consumer demand and will limit the momentum of recovering investment.

The economy at present shows continuing vigor in consumer demand and signs that business investment is capable of recovering soon if conditions will allow. Retail sales, adjusted for inflation, were 3% higher in January

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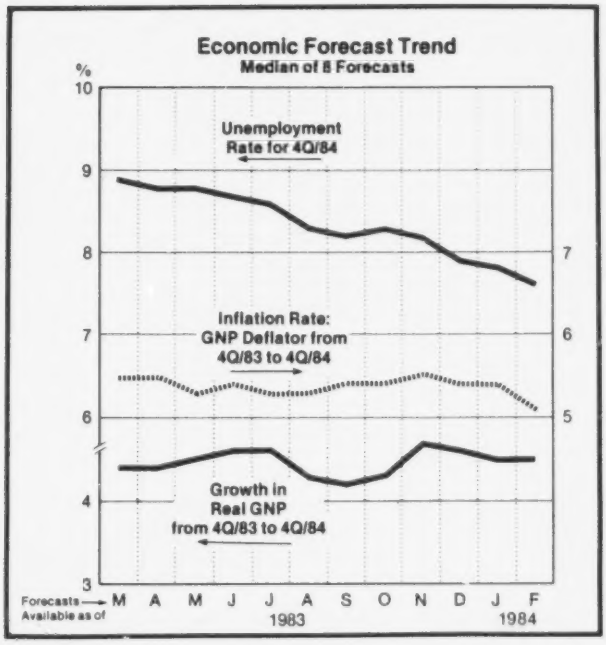
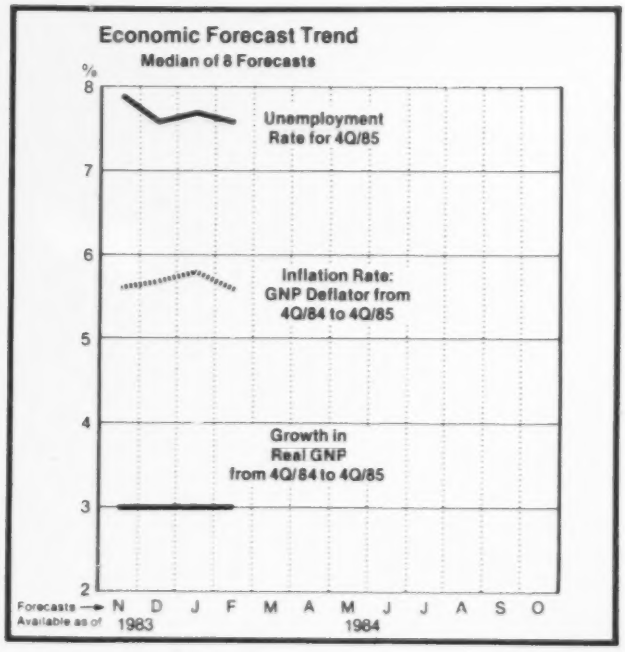

Economic Forecast Trend
Median of 8 Forecasts
%
Unemployment Rate for 4Q/84
Inflation Rate: GNP Deflator from 4Q/83 to 4Q/84
Growth in Real GNP from 4Q/83 to 4Q/84
Forecasts Available as of
M A M J J A S O N D J F
1983
1984

than they were three months earlier. New, domestic *Automobile Sales* began to surge in December and remained very solid through the first 10-day period in February. It is now clear that this pickup in buying has been heavily financed. The ratio of *Consumer Installment Debt Expansion to Personal Income* began to rise sharply in October and remained elevated through December. Consumer willingness to spend, even buying on credit, reflects how favorably households consider recent economic news and how positive they feel about prospects for the next six months. The Conference Board's *Consumer Confidence Index*—and its component series, the *Expectations Index*—continued to rise through January. The consumer sector is generally a net saver. High interest rates, then, mean not only costly financing of big-ticket items, like cars and homes, but also very favorable returns on savings accounts. Further, the steady and pronounced reduction in unemployment has had an overwhelming impact on consumer attitudes. The Conference Board's *Help-wanted Index*, a measure of labor demand, took a sharp jump in December and early indications are that it held on to most of that increase in January. This suggests that employment news is likely to remain favorable for the next few months. Consumer assessment of business conditions, then, is likely to remain positive for the time being, even if jolted by the imposition of a surcharge on personal income taxes.

The capacity utilization rate for advanced-processing manufacturing reached 80.6% in October, and remained at that level in the following three months. Increases in production can be achieved with the present stock of plant and equipment, but at this level of utilization the question of adequate capacity on hand to meet expected rising demand in the next few years is beginning to press for attention. Strategic planners are taking steps to address the problem. The Conference Board's *Capital Appropriations and Expenditures* survey of the nation's 1,000 largest manufacturers shows that approval of new spending projects rose considerably in the third quarter of 1983. Early returns indicate that new appropriations continued to rise in the fourth quarter. The expectation has been that spending on these approved projects would begin in the second half of 1984. The question now is whether deficits, interest rates, and high-valued dollars will box investment into a corner.

The *Economic Forecasts* indicate that growth of real output has subsided from the 8 to 9% range of the second and third quarters of 1983 (seasonally adjusted at annual rates) to an expected 4 to 5% range in the four quarters of 1984 (medians of the forecasts). That says nothing more than that the cyclical recovery has been accomplished and growth is now more in line with an ongoing expansion. However, the forecasts suggest that real GNP growth will slow to only 3% in the four quarters of 1985. That outlook reflects the difficulty of lifting investment off the ground in an environment of deficits, high interest rates, and a high-valued dollar. Moreover, the most pessimistic view is that growth may slow to only 2½% by the first quarter of 1985, and that the economy may not expand at all from that point through the forecast horizon (first quarter of 1986). In sum, the general outlook is for slow growth in 1985, with a too familiar caveat that the system will not have much of a cushion to absorb unfavorable shocks.

Ken Goldstein
February 14, 1984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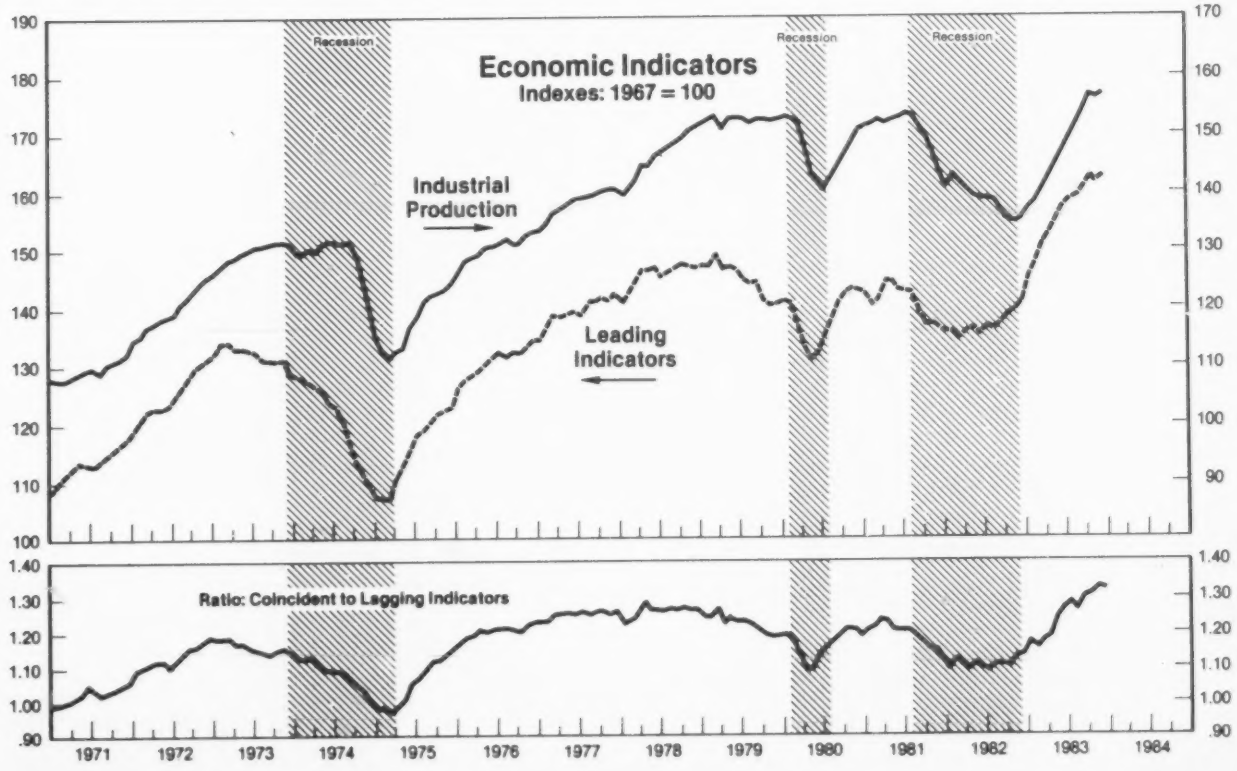
STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Dec.	X			+ 1.7%	+ 15.6%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Dec.			X	—10.0%	+ 9.3%
New orders, nondefense capital goods (deflated)	Dec.			X	— 7.5%	19.3%
*New business formation	Dec.		X		— 0.6%	+ 0.6%
*Housing permits	Dec.		X		+ 2.9%	+ 16.8%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Dec.		X		+ 1.9%	+ 27.3%
*Change in inventory, on hand & order (deflated)	Nov.	X			+ 9.7%	+ 36.7%
Purchasing agents' buying policy	Jan.	X			+ 5 %	+ 16 %
*Vendor performance, reported slower deliveries	Dec.	X			+ 7 %	+ 29 %
Industrial raw materials prices	Jan.	X			+ 3.8%	+ 22.6%
*Change in sensitive material prices	Dec.			X	— 0.2%	+ 1.2%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Dec.	X			+ 0.8%	+ 7.4%
Change in business loans	Dec.	X			+68.2%	+132.2%
*Change in credit outstanding	Dec.	X			+18.0%	+ 27.3%
Change in consumer installment debt	Nov.	X			+15.4%	+ 50.4%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			+13.0%	+ 22.3%
*Common stock prices	Jan.			X	— 0.5%	+ 15.6%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jan.	X			+ 0.3hr	+ 1.2hr
*Initial unemployment claims (inverted)	Jan.	X			+ 4.5%	+25.0%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.
*These twelve series make up the Composite Leading Index charted below.



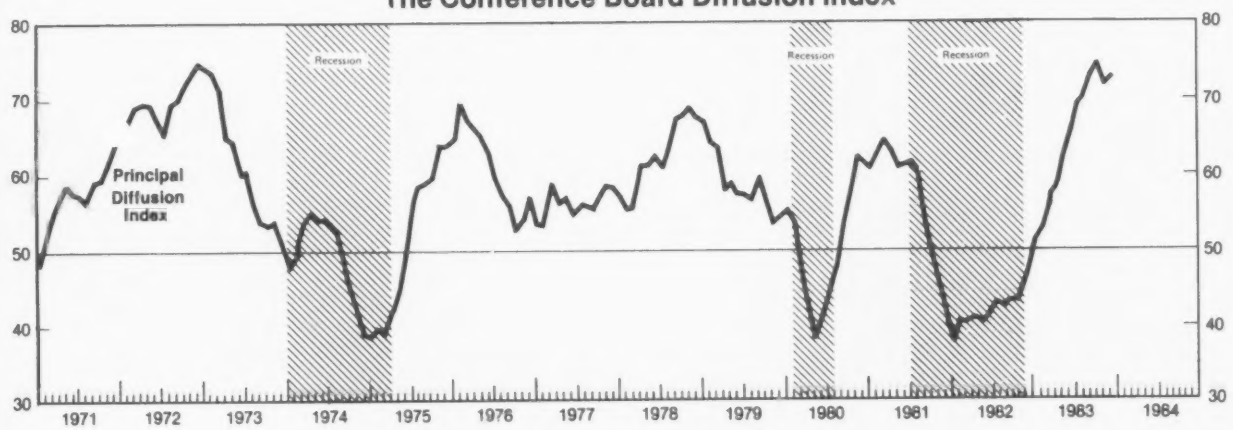
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1982 Dec.	1983 Sept.	Oct.	Nov.	Dec.(e)
Principal Diffusion Index	45.0	73.2	74.3	71.9r	72.9
Auxillary Diffusion Index	60.6	60.4	53.5	42.2r	53.2
Industrial Group	35.5	78.9	80.3	76.5r	79.6
Nonindustrial Group	54.5	67.4	68.2	67.2	66.2
Sense of Diffusion	0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	32.9	85.5	90.2	83.3r	86.3
Labor	31.8	77.6	75.8	73.8	76.5
Miscellaneous	48.7	72.4	76.9	73.1	76.9
Nonindustrial Subgroups					
Prices	42.3	78.2	74.4	70.5	66.7
Consumer	72.2	69.7	73.9	72.6r	76.9
Building	40.4	59.0	58.3	65.4r	56.4
Miscellaneous	54.3	63.7	65.0	60.7	61.5

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981			*1982*				*1983*			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
	Score (scale 0-100)										
Measure of Business Confidence	61	57	43	47	52	55	60	70	76	75	74
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	57	48	26	23	30	38	44	65	76	82	80
2. Expectations for Economy, Six Months Ahead	64	63	51	59	64	65	70	76	78	74	73
3. Expectations for Own Industry, Six Months Ahead	61	60	52	58	61	61	65	70	72	69	70

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

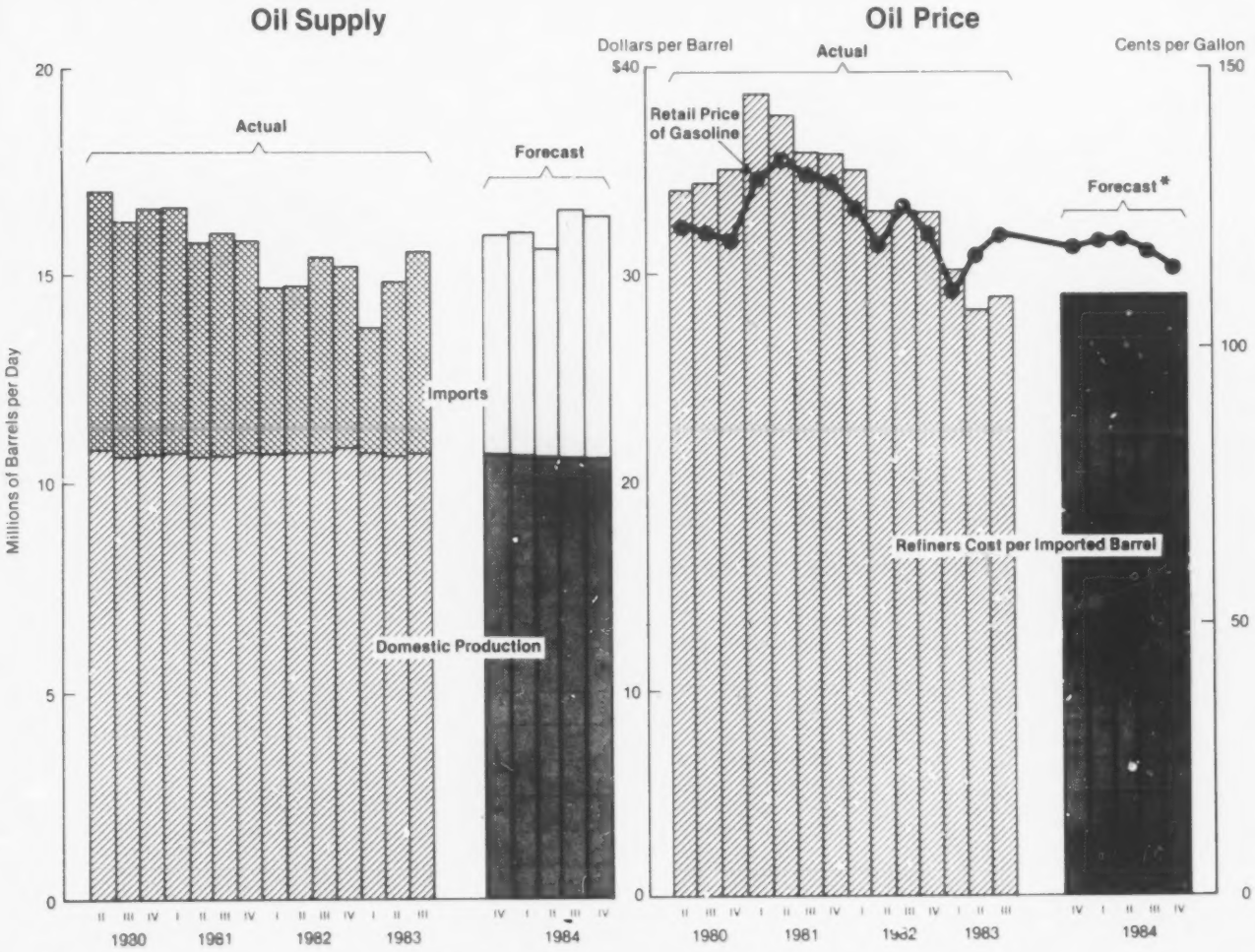
	1981	1982			1983			Percent Change From Previous Year		
	I	II	III	IV	I	IIr	IIIp	1982 Actual	1983 Estimated	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	25.176	20.025	18.439	21.488	20.176	20.633	22.587	-18	- 1	15
Capital expenditures	26.660	25.552	23.991	22.887	18.841	18.643	18.293	- 3	-25	42
Change in appropriations backlog*	-2.259	-7.326	-8.726	-3.395	-0.716	+1.121	+2.241			
Durable Goods										
New appropriations	8.785	7.398	7.724	8.238	8.197	9.453	9.115	-24	14	- 8
Capital expenditures	11.069	10.505	9.684	8.949	7.918	7.655	7.860	- 7	-21	16
Change in appropriations backlog*	-2.723	-3.903	-4.556	-1.351	-0.606	+1.291	+0.995			
Nondurable Goods										
New appropriations	16.391	12.627	11.215	13.250	11.979	11.180	13.432	-1[illegible]	- 9	32
Capital expenditures	15.591	15.047	14.307	13.938	10.923	10.988	10.433	0	-27	61
Change in appropriations backlog*	0.464	-3.423	-4.170	-2.044	-0.110	-0.170	+1.246			
ELECTRIC & GAS UTILITIES										
New appropriations	8.803	8.502	10.603	10.803	6.966	6.312	5.631			
Capital expenditures	8.958	8.835	9.018	9.331	9.032	9.335	9.092			
Change in appropriations backlog*	-9.039	-1.772	+0.680	-4.492	-5.709	-6.345	-4.014			

Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

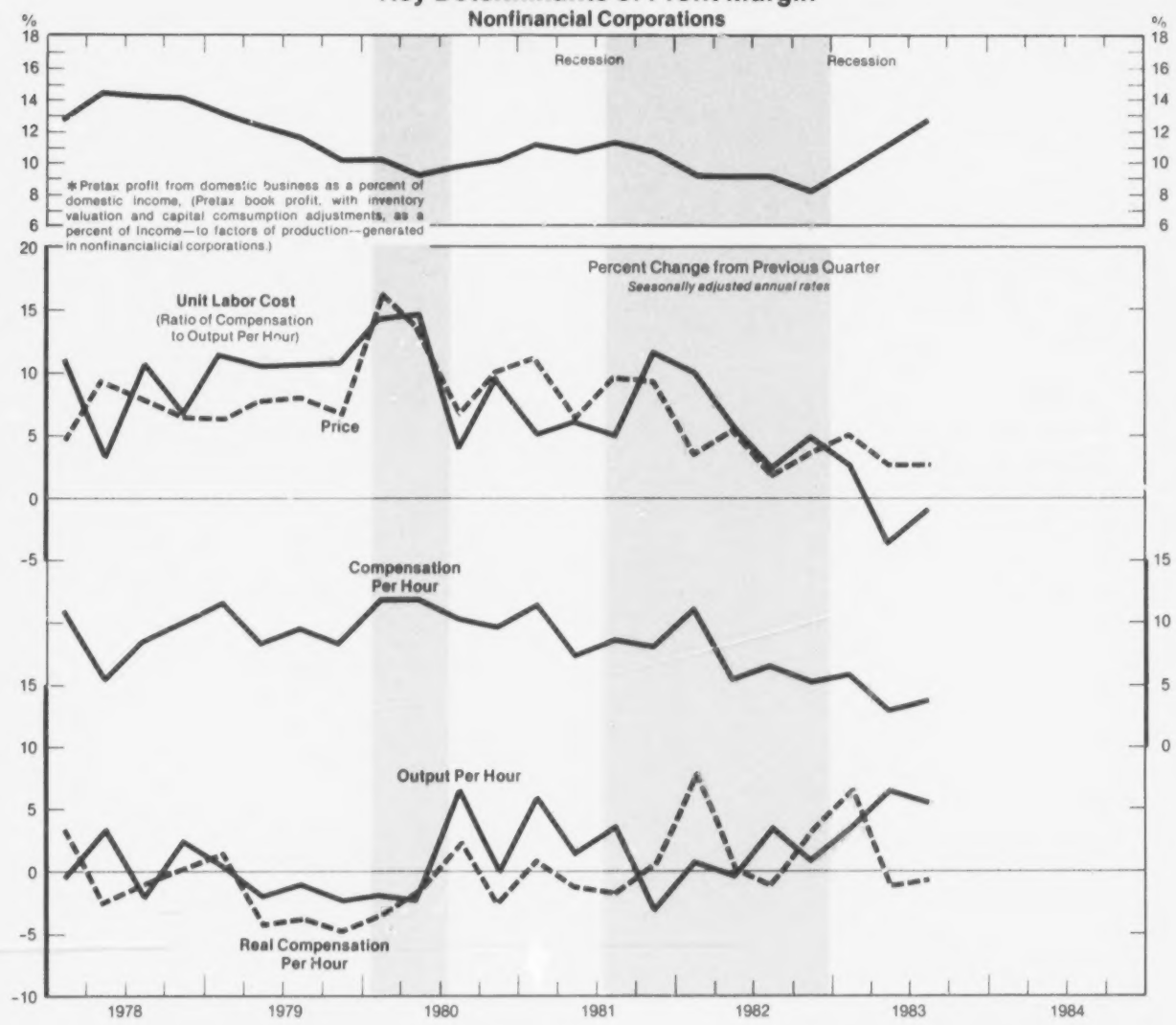
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

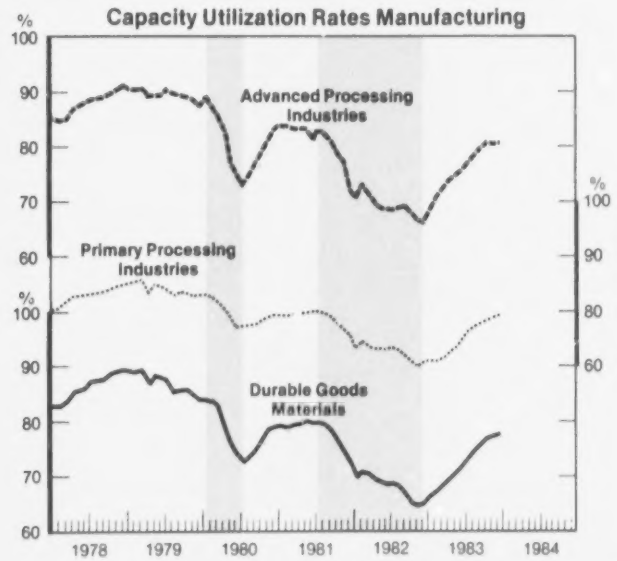
** Results based on survey respondents' expectations.



*Source of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin





ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Jan., 1984*		*Dec., 1983*		*Jan., 1984*		*Jan., 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1983**	**IV**	**$3432.0**	**8.6%**			**$3432.0**	**8.6%**	**$3432.0**	**8.3%**
	1984	I	3527.1	11.6	$3526.1	11.0%	3498.4	8.0	3527.0	11.5
		II	3604.3	9.0	3603.7	9.1	3570.2	8.5	3605.9	9.3
		III	3690.8	10.0	3702.6	11.4	3661.2	10.6	3680.3	8.5
		IV	3783.1	10.4	3802.3	11.2	3762.5	11.5	3767.4	9.8
	1985	I	3866.8	9.1	3895.1	10.1	3851.2	9.8	3839.7	7.9
		II	3951.5	9.1	3984.5	9.5	3933.9	8.9	3919.8	8.6
		III	4042.1	9.5	4028.0	4.4	4019.8	9.0	4009.2	9.4
		IV	4141.6	10.2	4085.7	5.9	4104.2	8.7	4106.2	10.0
	1983	**Annual**	**3309.4**	**7.7**			**3309.4**	**7.7**	**3309.4**	**7.7**
	1984	Annual	3651.3	10.3	3658.7	10.5	3623.1	9.5	3645.2	10.1
	1985	Annual	4000.5	9.6	3998.3	9.3	3977.3	9.8	3968.7	8.9
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1983**	**IV**	**$1570.5**	**4.5%**			**$1570.5**	**4.5%**	**$1570.5**	**4.5%**
	1984	I	1594.0	6.1	$1591.9	5.1%	1583.0	3.2	1590.7	5.2
		II	1611.9	4.8	1605.5	3.5	1601.0	4.6	1609.5	4.8
		III	1632.7	5.3	1627.1	5.5	1620.0	4.8	1624.4	3.8
		IV	1653.4	5.2	1648.2	5.3	1643.0	5.8	1639.4	3.7
	1985	I	1670.8	4.3	1662.9	3.6	1660.0	4.2	1650.0	2.6
		II	1686.1	3.7	1674.0	2.7	1674.0	3.4	1662.5	3.1
		III	1701.9	3.8	1667.0	-1.7	1689.0	3.6	1677.1	3.6
		IV	1717.9	3.8	1668.9	0.5	1703.0	3.4	1691.6	3.5
	1983	**Annual**	**1534.8**	**3.3**			**1534.8**	**3.3**	**1534.8**	**3.3**
	1984	Annual	1623.0	5.7	1618.2	5.4	1611.8	5.0	1616.0	5.3
	1985	Annual	1694.2	4.4	1668.2	3.1	1681.5	4.3	1670.3	3.4
Gross National Product deflator Index, 1972 = 100										
Actual	**1983**	**IV**	**218.5**	**3.9%**			**218.5**	**3.9%**	**218.5**	**3.9%**
	1984	I	221.3	5.1	221.5	5.6%	221.0	4.6	221.7	6.0
		II	223.6	4.3	224.5	5.4	223.0	3.7	224.0	4.2
		III	226.1	4.5	227.6	5.6	226.0	5.5	226.6	4.6
		IV	228.8	5.0	230.7	5.6	229.0	5.4	229.8	5.8
	1985	I	231.4	4.7	234.2	6.3	232.0	5.3	232.7	5.2
		II	234.4	5.1	238.0	6.6	235.0	5.3	235.8	5.4
		III	237.5	5.5	241.6	6.2	238.0	5.2	239.1	5.7
		IV	241.1	6.2	244.8	5.4	241.0	5.1	242.7	6.3
	1983	**Annual**	**215.6**	**4.2**			**215.6**	**4.2**	**215.6**	**4.2**
	1984	Annual	224.9	4.3	226.1	4.9	224.7	4.2	225.5	4.6
	1985	Annual	236.1	5.0	239.7	6.0	236.5	5.2	237.6	5.3
Unemployment Rate										
Actual	**1983**	**IV**	**8.5%**		**8.5%**		**8.5%**		**8.5%**	
	1984	I	8.1		8.2		8.3		8.0	
		II	7.9		8.1		8.1		7.7	
		III	7.6		7.8		8.0		7.6	
		IV	7.4		7.6		7.8		7.4	
	1985	I	7.2		7.4		7.6		7.1	
		II	7.1		7.4		7.4		7.0	
		III	7.0		7.8		7.3		6.9	
		IV	6.9		8.1		6.9		6.8	
	1983	**Annual**	**9.6**		**9.6**		**9.6**		**9.6**	
	1984	Annual	7.7		7.9		8.1		7.7	
	1985	Annual	7.0		7.7		7.3		7.0	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on revised (1st revision) third quarter data.

[2]Based on revised (2nd revision) third quarter data.

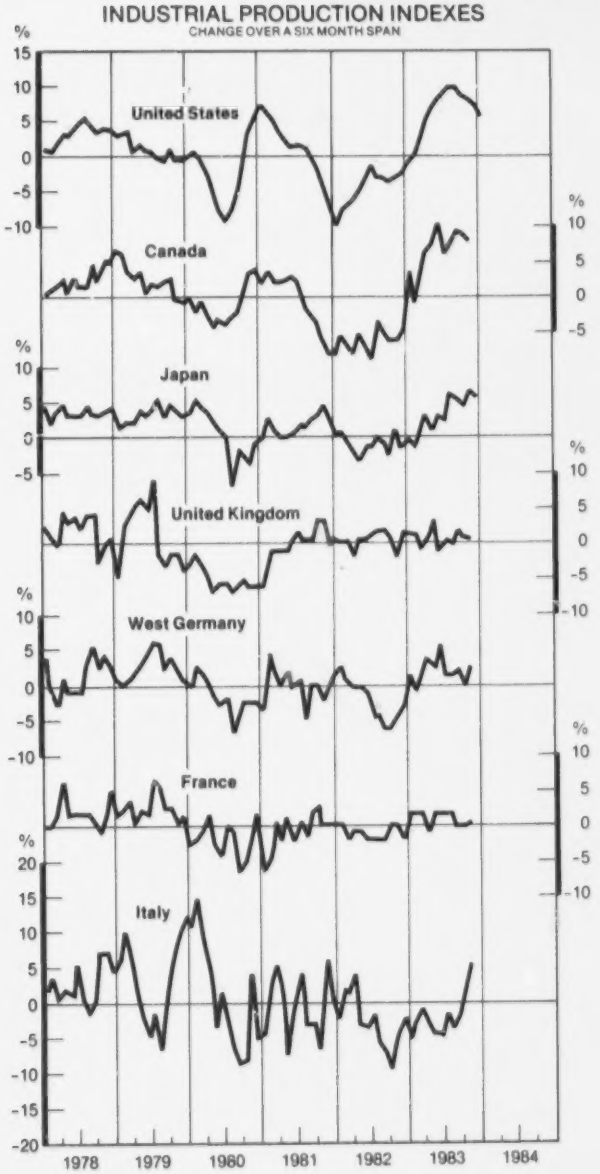
ECONOMIC FORECASTS (continued)

The Conference Board[2]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Jan., 1984		Jan., 1984		Jan., 1984		Jan., 1984		Date of Forecast		
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Billions of Current Dollars		
$3432.0	**8.6%**	**$3432.0**	**8.6%**	**$3432.0**	**8.6%**	**$3432.0**	**8.6%**	**IV**	**1983**	**Actual**
3521.0	10.8	3514.4	10.0	3522.9	11.0	3520.6	10.7	I	1984	
3609.0	10.4	3594.3	9.4	3592.4	8.1	3607.9	10.3	II		
3673.0	7.3	3677.7	9.6	3669.3	8.8	3694.4	9.9	III		
3745.0	8.1	3761.9	9.5	3749.7	9.1	3779.7	9.6	IV		
3817.0	7.9	3851.0	9.8	3815.7	7.2	3858.0	8.5	I	1985	
3867.0	5.3	3924.7	7.9	3881.7	7.1	3943.5	9.2	II		
3952.0	9.1	3994.5	7.3	3952.2	7.5	4024.8	8.5	III		
4070.0	12.5	4073.1	8.1	4030.4	8.2	4098.3	7.5	IV		
		4163.3	9.2	4106.5	7.8	4162.7	6.4	I	1986	
3309.4	**7.7**	**3309.4**	**7.7**	**3309.4**	**7.7**	**3309.4**	**7.7**	**Annual**	**1983**	
3637.0	9.9	3637.1	9.9	3633.6	9.8	3650.7	10.3	Annual	1984	
3926.5	8.0	3960.8	8.9	3920.0	7.9	3981.2	9.1	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
$1570.5	**4.5%**	**$1570.5**	**4.5%**	**$1570.5**	**4.5%**	**$1570.5**	**4.5%**	**IV**	**1983**	**Actual**
1594.3	6.2	1588.9	4.8	1592.1	5.6	1591.2	5.4	I	1984	
1614.2	5.1	1605.7	4.3	1607.3	3.9	1610.7	5.0	II		
1622.2	2.0	1622.3	4.2	1624.5	4.3	1628.9	4.6	III		
1633.0	2.7	1633.7	2.8	1640.7	4.0	1644.4	3.9	IV		
1643.2	2.5	1645.6	2.9	1652.2	2.8	1658.0	3.3	I	1985	
1643.2	0.0	1652.8	1.8	1661.8	2.3	1672.6	3.6	II		
1655.5	3.0	1661.5	2.1	1672.6	2.6	1684.4	2.9	III		
1678.7	5.7	1671.4	2.4	1683.9	2.7	1690.3	1.4	IV		
		1681.9	2.5	1694.5	2.5	1694.3	.9	I	1986	
1534.8	**3.3**	**1534.8**	**3.3**	**1534.8**	**3.3**	**1534.8**	**3.3**	**Annual**	**1983**	
1615.9	5.3	1612.6	5.1	1616.1	5.3	1618.8	5.5	Annual	1984	
1655.2	2.4	1657.8	2.8	1667.6	3.2	1676.3	3.6	Annual	1985	
								Gross National Product deflator Index, 1972 = 100		
218.5	**3.9%**	**218.5**	**3.9%**	**218.5**	**3.9%**	**218.5**	**3.9%**	**IV**	**1983**	**Actual**
220.8	4.3	221.2	4.9	221.3	5.1	221.3	5.1	I	1984	
223.6	5.0	223.8	4.9	223.5	4.1	224.0	5.0	II		
226.4	5.2	226.7	5.2	225.9	4.3	226.8	5.1	III		
229.3	5.2	230.3	6.5	228.5	4.8	229.9	5.5	IV		
232.3	5.3	234.0	6.7	230.9	4.3	232.7	5.0	I	1985	
235.3	5.3	237.5	6.0	233.6	4.6	235.8	5.4	II		
238.7	5.9	240.4	5.1	236.3	4.7	238.9	5.5	III		
242.4	6.4	243.7	5.6	239.3	5.3	242.5	6.0	IV		
		247.5	6.5	242.3	5.1	245.7	5.4	I	1986	
215.6	**4.2**	**215.6**	**4.2**	**215.6**	**4.2**	**215.6**	**4.2**	**Annual**	**1983**	
225.0	4.4	225.5	4.6	224.8	4.3	225.5	4.8	Annual	1984	
237.2	5.4	238.9	5.9	235.0	4.6	237.5	5.3	Annual	1985	
								Unemployment Rate		
8.5%		**8.5%**		**8.5%**		**8.5%**		**IV**	**1983**	**Actual**
7.8		7.9		8.1		8.0		I	1984	
7.6		7.6		7.9		7.9		II		
7.5		7.5		7.8		7.8		III		
7.5		7.6		7.6		7.6		IV		
7.6		7.6		7.5		7.5		I	1985	
7.9		7.8		7.5		7.4		II		
7.8		7.9		7.6		7.3		III		
7.5		8.1		7.6		7.2		IV		
		8.1		7.6		7.4		I	1986	
9.6		**9.6**		**9.6**		**9.6**		**Annual**	**1983**	
7.6		7.7		7.8		7.8		Annual	1984	
7.7		7.9		7.5		7.4		Annual	1985	

SELECTED INTERNATIONAL COMPARISONS

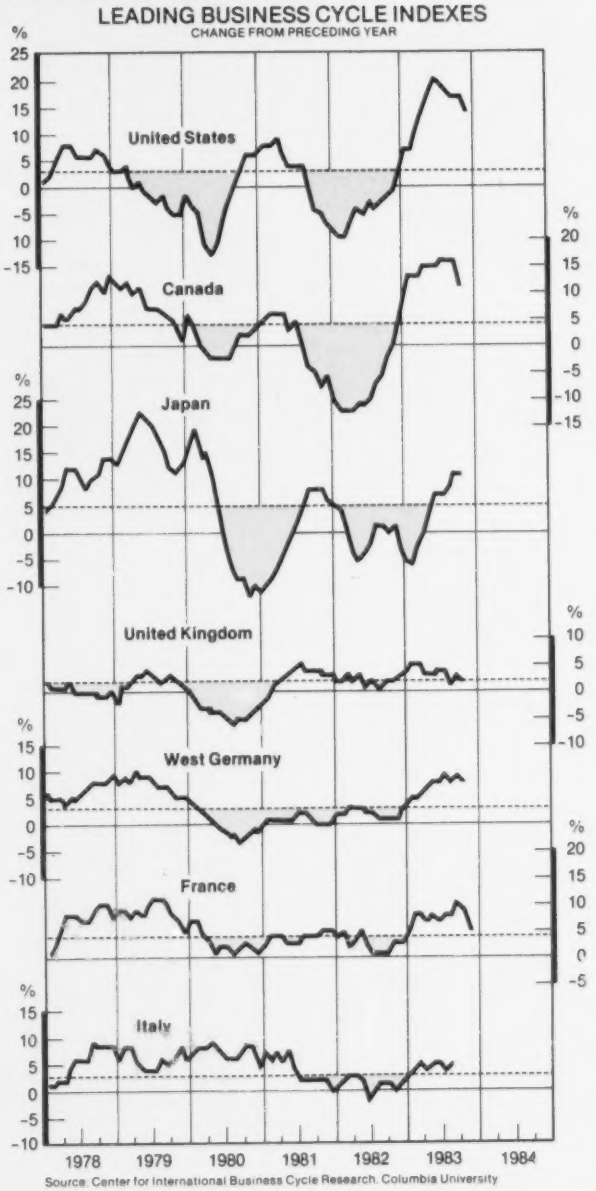
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

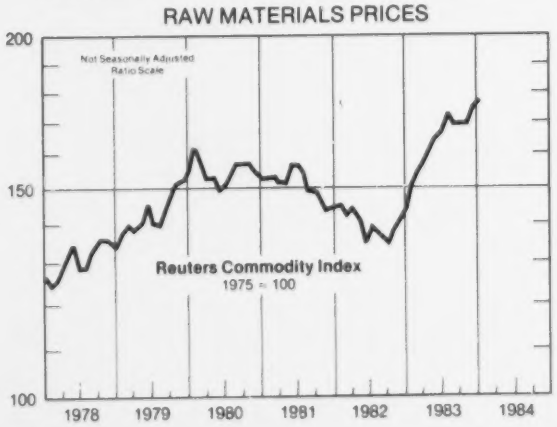
CHANGE FROM PRECEDING YEAR



Source: Center for International Business Cycle Research, Columbia University

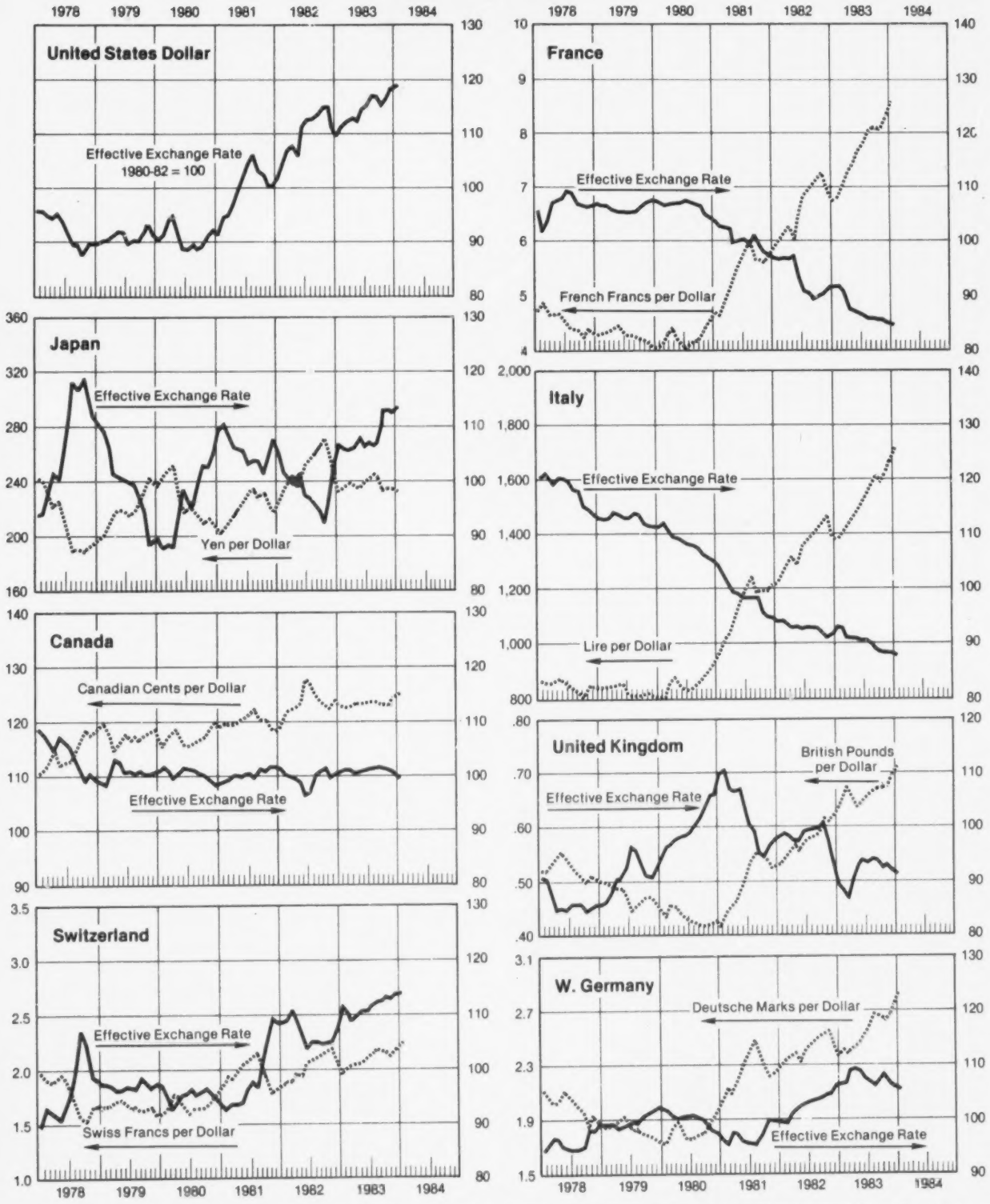
MERCHANDISE TRADE: VALUE OF EXPORTS

RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



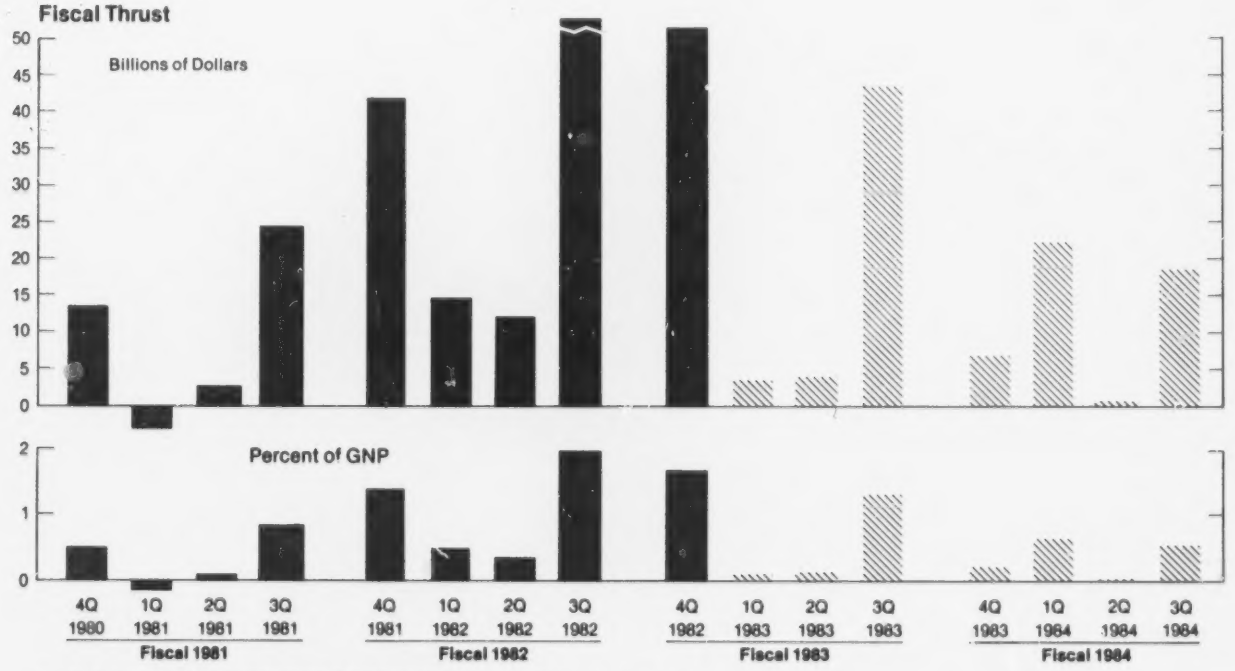
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

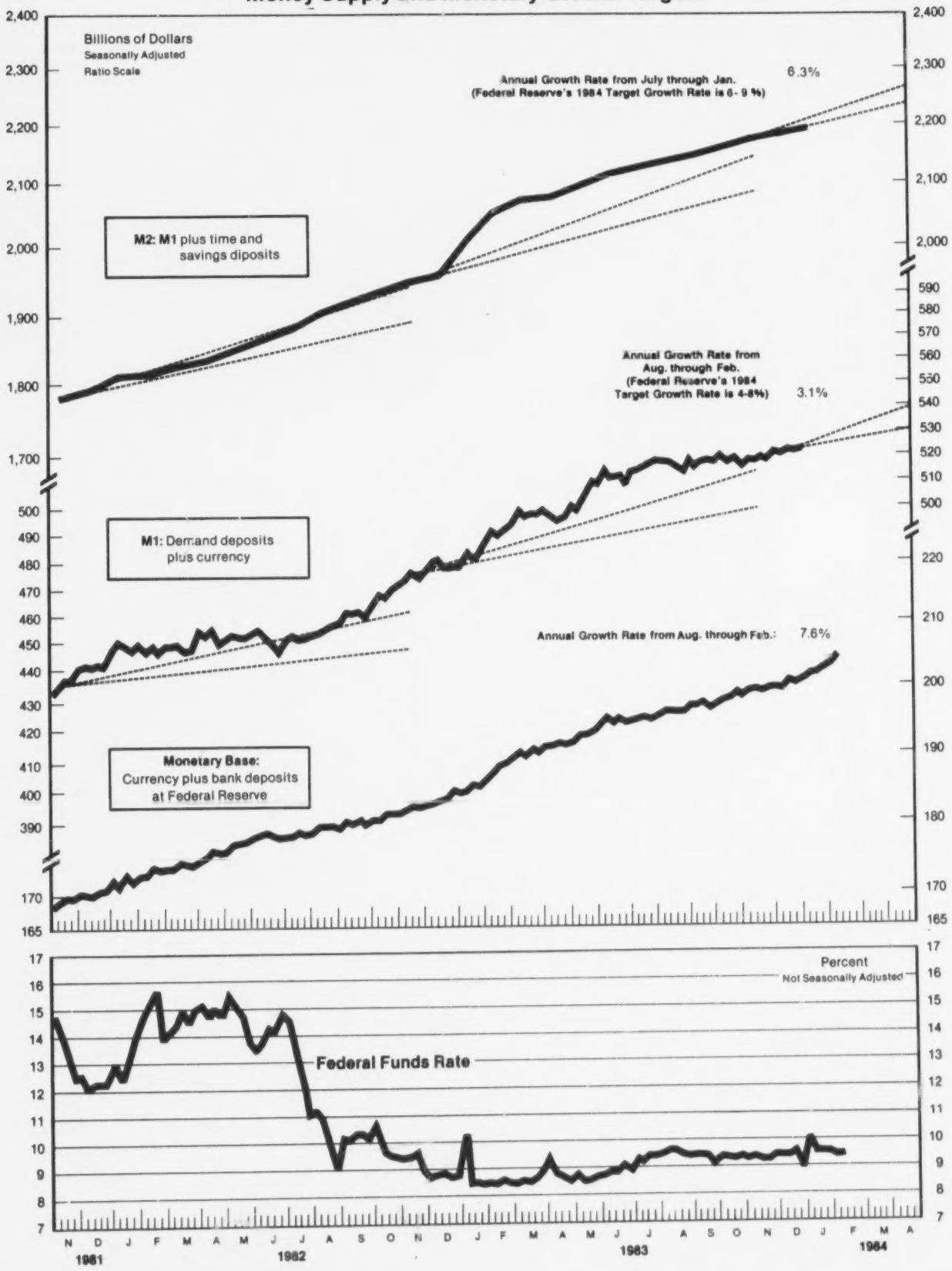
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual	President's Proposal	Congressional Estimate	Current Service	President's Proposal	Congressional Estimate
	(2/1/84)	(2/1/84)	(6/20/83)	(2/1/84)	(2/1/84)	
Receipts	**600.6**	**670.1**	**679.6**	**737.3**	**745.1**	
Outlays	**796.0**	**853.8**	**849.5**	**944.9**	**925.5**	
Deficit	**-195.0**	**-183.7**	**-169.9**	**-207.7**	**-180.4**	
Receipts by source	**600.6**	**670.1**	**679.6**	**737.3**	**745.1**	
Individual income taxes	288.9	293.3		323.4	328.4	
Corporate income taxes	37.0	66.6		75.5	76.5	
Social insurance	209.0	239.5	242.3	269.0	270.7	
Other receipts	65.7	70.7		69.4	69.5	
Outlays by function	**796.0**	**853.8**	**849.5**	**944.9**	**925.5**	
Income security	122.2	112.5	278.8	116.9	114.4	
National defense	209.9	237.5	240.0	284.2	272.0	
Health	28.7	30.7	92.6	34.4	32.9	
Education and manpower	26.6	28.7	28.4	29.0	27.9	
Transportation	21.4	26.1	26.0	27.4	27.1	
Veterans' benefits	24.8	25.8	25.5	26.6	26.7	
International affairs	9.0	13.5	13.0	14.1	17.5	
National resources and environment	12.7	12.3	12.5	11.8	11.3	
Agriculture	22.2	10.7	11.5	14.3	14.3	
General science	7.7	8.3	8.3	8.4	8.8	
Community development	6.9	7.6	8.1	7.7	7.6	
Revenue sharing	6.5	6.7	7.2	6.8	6.7	
General government	4.8	5.7	5.6	5.7	5.7	
Justice	5.1	6.0	5.9	6.2	6.1	
Energy	4.0	3.5	4.3	3.4	3.1	
Commerce and housing credit	4.4	3.8	2.3	1.6	1.1	
Interest	89.8	108.2	97.1	117.9	116.1	
Allowances			0.8	1.5	0.9	
Undistributed offsetting receipts	-34.0	-34.0	-18.1	-34.6	-35.3	

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Annual Growth Rate from July through Jan. 6.3%
(Federal Reserve's 1984 Target Growth Rate is 6-9 %)
M2: M1 plus time and savings diposits
Annual Growth Rate from Aug. through Feb. 3.1%
(Federal Reserve's 1984 Target Growth Rate is 4-8%)
M1: Demand deposits plus currency
Annual Growth Rate from Aug. through Feb.: 7.6%
Monetary Base: Currency plus bank deposits at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
1981
1982
1983
1984

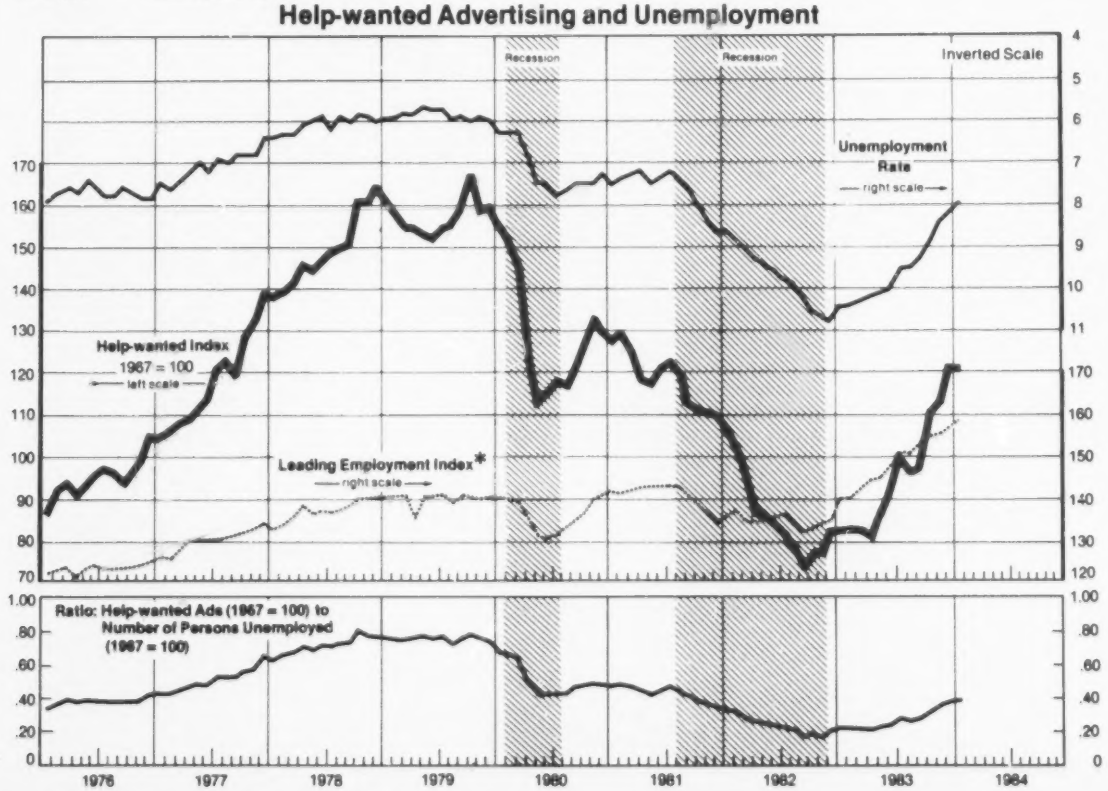
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1983			1982
	Dec.	Nov.	Oct.	Dec.
Total Index 51 papers	121	114	111	83
New England	130	121	120	86
Boston	144	136	136	93
Hartford	119	112	112	94
Providence	92	75	74	58r
Middle Atlantic	58	53	53	45
Albany	111	100	94	76
Allentown	119	116	126	94
New York	52	49	48	41
Philadelphia	52	48	49	40
Pittsburgh	53	44	47	49
Rochester	65	58	54	53
Syracuse	90	80	75	66
East North Central	73	65	63	47
Chicago	89	80	80	45
Cincinnati	88	77	76	66
Cleveland	51	44	42	39
Columbus	95	85	81	70
Dayton	53	50	47	45
Detroit	53	42	40	34
Gary	110	100r	91	106r
Indianapolis	69	73	62	47
Milwaukee	51	47	41	37
Toledo	85	76	69	64
West North Central	70	63	67	45
Kansas City	99	82	102	68
Minneapolis	63	57	57	33
Omaha	103	95	99	75
St. Louis	50	49	47	33
South Atlantic	137	130	125	94
Atlanta	248	229	224	148
Baltimore	76	100	71	71
Charlotte	123	107	108	75
Jacksonville	176	162	148	142
Miami	99	79	85	60
Richmond	77	68	67	56
Washington, D.C.	144	127	131	94
East South Central	114	103	103	82
Birmingham	121	109	102	91
Knoxville	182	158	158	132
Louisville	63	55	57	46
Memphis	97	95	84	71
Nashville	149	132	146	102
West South Central	280	262	264	205
Dallas	395	373	378	255
Houston	363	344	344	272
New Orleans	128	107	120	112
Oklahoma City	157	141	129	143
San Antonio	159	161	173	121
Tulsa	153	129	118	118
Mountain	288	276	242	161
Denver	199	197	171	133
Phoenix	395	384	343	185
Salt Lake City	309	276	240	181
Pacific	170	170	164	118
Los Angeles	132	130	128	89
Sacramento	294	274	261	212
San Bernardino	123	138	136	96
San Diego	333	334	323	223
San Francisco	181	193	176	114
Seattle	179	171	170	139r
Percentage of papers with rising volume	88%	63%	92%	86%
Unemployment rate	8.2%	8.4%	8.8%	10.7%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1r
1984	97.8											

Buying Plans Index

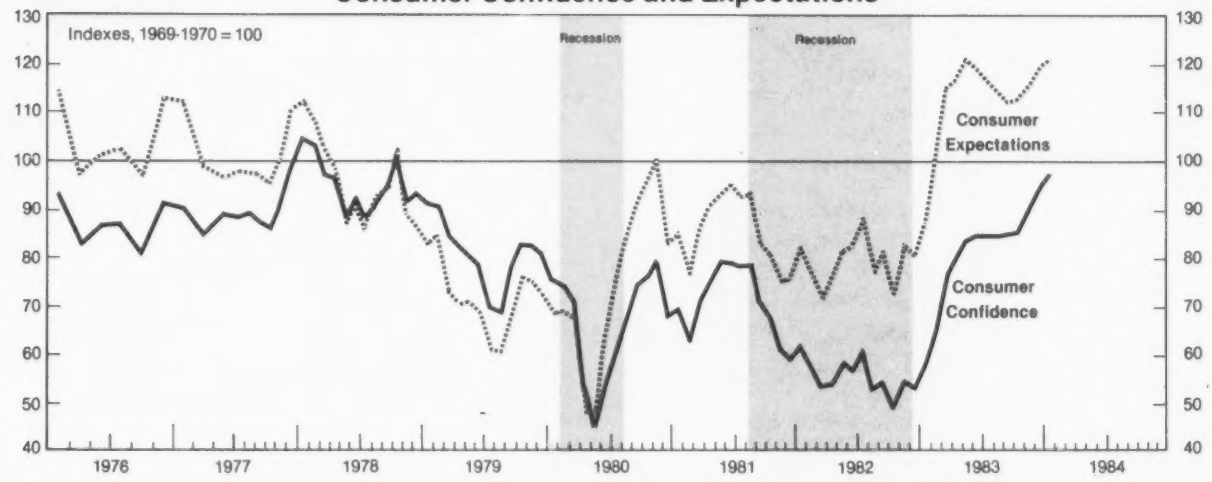
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5r
1984	98.6											

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

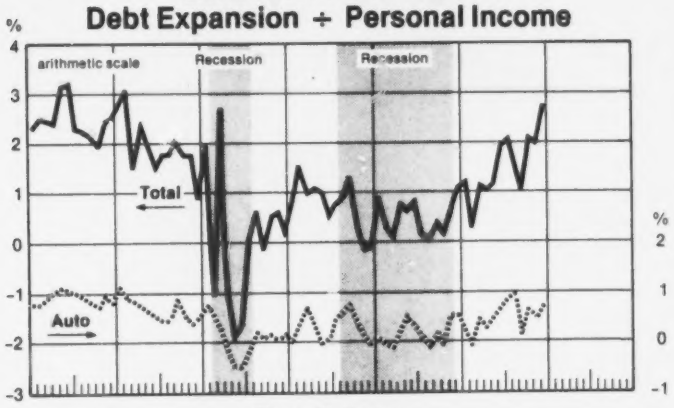
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

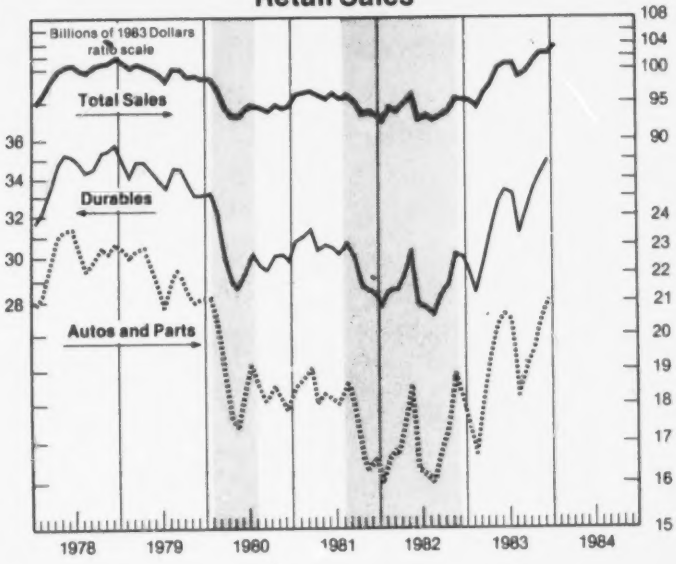
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



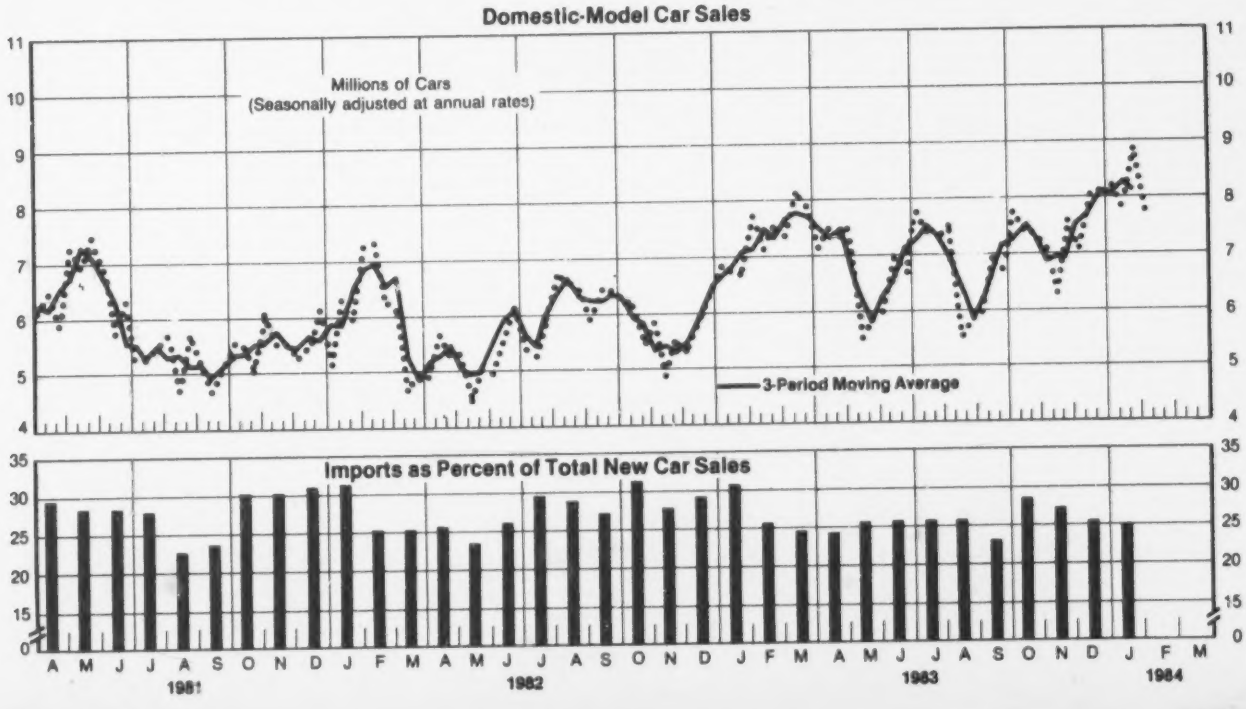
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.49	6.06	5.81	
	11-20	5.56	5.51	4.85	
	21-28(29)	7.76	5.58	5.59	
March:	1-10	7.66	5.25	5.39	
	11-20	9.66	5.45	5.85	
	21-31	5.05	6.19	6.21	
April:	1-10	6.24	5.16	6.82	
	11-20	6.00	6.36	6.76	
	21-30	6.40	5.94	6.71	
May:	1-10	6.13	7.30	7.72	
	11-20	6.52	7.34	7.07	
	21-31	5.94	6.25	7.55	
June:	1-10	6.09	6.10	7.34	
	11-20	5.99	4.68	8.12	
	21-30	6.06	4.94	7.88	
July:	1-10	6.09	4.92	7.16	
	11-20	6.47	5.61	7.42	
	21-31	5.89	5.30	7.37	
August:	1-10	7.31	5.35	7.51	
	11-20	6.98	4.52	5.53	
	21-31	7.49	5.05	5.88	
September:	1-10	6.88	4.93	5.98	
	11-20	5.73	6.54	6.99	
	21-30	6.36	6.19	6.64	
October:	1-10	5.29	5.40	7.78	
	11-20	5.27	5.25	7.40	
	21-31	5.43	5.80	7.31	
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales


Millions of Cars
(Seasonally adjusted at annual rates)
3-Period Moving Average
Imports as Percent of Total New Car Sales
A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M
1981
1982
1983
1984